

Strictly technical: Nifty50 may have found bottom, heading for 8,000-plus levels

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Indecisive patterns for the past two consecutive weeks in a row on the weekly charts are raising serious doubts about the continuation of the uptrend, which started from the post-Budget lows of 6,825 recorded in February 2016.

If we delve into the chart patterns and look at emerging trends, we will be forced to conclude that the recent indecisive patterns are a mere pause before the next leg of rally resumes its uptrend.

In terms of Elliot Wave, it appears that the 13-month correction which started from the highs of 9,119 in March 2015, unfolded in the form of a Double Three Combination that culminated after registering a new swing low of 6,825 on the [Budget](#) day.

Since then, a fresh uptrend is in force in Nifty50 with an impulsive structure as it chalked out five waves on the upside, which was again corrected by three waves on the downside.

Hence, we are presuming the rally from the low of 7,516 hit on April 11 as the beginning of a lower degree third wave, which is expanding. And the correction from the high of 7,978 recorded on April 21 is looking like a wave 2 inside the said wave three and unfolding in the form of a Flat.

In normal [market conditions](#), C leg of such a Flat ends after slipping below the top of Wave A - in this case, its value is placed at 7,822. Based on this logic, we are considering that wave 2 inside wave 3 might have completed its correction at a low of 7,788 registered on April 29.

Besides, when we look at the conventional technical tools at this point, it appears that Nifty50 has multiple support levels in the form of short-term as well as long-term moving averages and also a two-month-old ascending trend line drawn by connecting the lows of 6,825 and 7,516.

Interestingly our timewise analysis suggests the corrective structure, which is in place from April 21, shall consume six trading sessions and end by April 29.



From another angle, our observations of this rally from the low of 6,825 suggest it is evolving in the form of a seven-legged neo wave diametric structure, which calls for the similarity of time in the majority of these seven legs.

If we closely observe the rally from the lows of 6,825, then we find that both upswings as well as downswings consume 5-6 trading sessions, except the 'D Leg' of the said formation and sixth Leg F, which appears to have culminated as a Flat at a low of 7,788 after consuming six trading sessions from April 21.

Based on this logic, we will not be surprised if Nifty50 trades above 8,000 level in next six sessions to complete its G leg of the diametric formation.

Even if the market prefers to continue its correction below 7,788 level after breaching its 200-day EMA placed around 7,777, we have enough technical evidence to suggest that it shall bottom out somewhere in the gap of 7,772 and 7,717. As of now, it looks like Nifty will not breach the 7,700 level.

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